SaskCOMP 1983 Annual Report

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Honourable J. Gary Lane

March 21, 1984
Regina, Saskatchewan

To His Honour
The Honourable F. W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Computer Utility Corporation for the year ending December 31, 1983 including the financial statements therefor duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Computer Utility Corporation Act. I have the honour to be, Sir, your obedient servant.

J. Gary Lane

Minister-in-Charge
Saskatchewan Computer
Utility Corporation

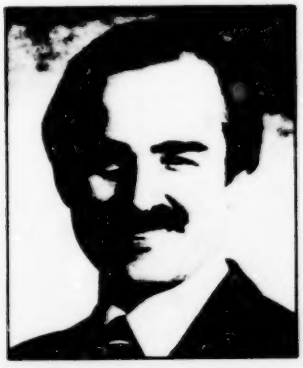
Saskatchewan Computer Utility Corporation

Annual Report
1983

Honourable J. Gary Lane, Q.C.,
Regina
Chairman of the Board
Attorney General
Province of Saskatchewan

Morris T. Chernesky, B.A., L.L.B.
Saskatoon
Barrister and Solicitor

Lyle E. Stewart
Perse
Farmer



D. Gavin Koyl
Regina
Vice-President and Commercial
General Manager - Saskatchewan
A. E. LePage Commercial
Real Estate Services

Rodney E. Ulrich
Corporate Secretary
Crown Investments Corporation
of Saskatchewan

SaskCOMP completed 10 years of computer services to Saskatchewan.

Revenues increased by 6% over 1982, reflecting increased volume of business partly offset by a 5% reduction in rates: expenses increased by 11%.

Security services were improved with the appointment of a Security Manager and the establishment of stricter security policies and procedures.

Service availability at both regional centres is now in excess of 98.5% of scheduled time.

An estimated 15% rate reduction was announced December 28, 1983 to be effective April 1, 1984.

A corporate re-organization and revised marketing strategy were put in place to respond to the needs of the provincial public sector.

SaskCOMP
SASKATCHEWAN COMPUTER UTILITY CORPORATION

Head office reception area, 2350 Albert Street, Regina.

In 1983, SaskCOMP completed ten years of computer processing service to Saskatchewan.

During the year, the corporation continued to impose stringent cost controls in the face of reduced growth in the demand for its services. Through these efforts SaskCOMP was able to maintain a high level of net income, although there was a significant reduction in revenue growth.

In large measure the corporation confined its marketing efforts to the provincial public sector. Sales of minicomputers and microcomputers were discontinued.

Organizationally, the corporation established four broad functional divisions; namely, Computer Services, Customer Services, Corporate Services and Planning. This re-organization eliminated the overlap of operational activities and allowed for improved management control.

The computer processing centres were able to maintain or improve availability and response times. Availability for our major centre, Regina Regional, rose from 98% in 1982 to 98.5% in 1983. Saskatoon Regional Centre maintained its 99% plus availability levels in 1983. Through operational control and the 1982 installation of a second IBM 3081 at Regina Regional, our response times for all on-line services for Regina Regional improved over 1982.

In 1983 the Computer Services Division undertook major efforts to provide secure environments at the two major regional

A. L. M. Nelson, Acting General Manager

centres. These efforts were placed under the direction of a newly appointed Security Manager.

In addition to the Security Manager, Computer Services established stricter security procedures, a comprehensive security policy and secure offsite storage for vital records. For disaster recovery, a search and evaluation was undertaken for a "hotsite" which would be an alternative processing centre for our customers' critical applications in the event of a disaster or major interruption.

SaskCOMP product offerings and rates will continue to be influenced by industry-wide reductions in hardware costs. While hardware costs have decreased, functionality, reliability and response times have improved. However, human resource costs will continue to increase which will encourage further automation in the information management process and end-user productivity aids for systems development.

To improve support to our customers, SaskCOMP assigned additional customer representatives to better address customer problems, identify future customer needs and to create product awareness among the public sector. Customer Services undertook the preparation of a standard SaskCOMP service agreement. This agreement will spell out the respective responsibilities of SaskCOMP and of the customer for effective and secure use of SaskCOMP services.

Management Committee:
Back row (l. to r.)
Bob Neil, Assistant General Manager, Computer Services; Dennis Poulin, Assistant General Manager, Customer Services.

Front row (l. to r.)
Kent Fitch, Controller; A. L. M. Nelson; Tom Dagg, Assistant General Manager, Planning.

In 1983, the corporation's head office staff, which was located in three separate sites, was relocated to 2350 Albert Street, Regina.

Industry developments that occurred in 1983 witnessed the maturity of the microcomputer as a common business tool which is fast becoming the focal point of the office workstation. In response to the maturity of this product, SaskCOMP will establish communication software and services for the microcomputer to communicate with our large mainframe computers.

In the area of personnel, the Human Resources function established in 1982, became fully responsible for personnel, industrial relations, affirmative action and staff training in 1983. One of the first activities undertaken was the initiation of a study of out-of-scope salaries. This study has the objective to incorporate a flexible salary program to provide an incentive-based remuneration system.

Roli Bachelu, Manager, Consulting Services with Bonnie Prentice, Secretary.

Eric Silbernagel, Data Processing Manager for Saskatchewan Urban Affairs at IMS data entry stations, for Saskatchewan Property Improvement grants.

During the year an operator training officer was appointed. The position is accountable for co-ordinating operator training at our regional centres. The training programs will complement the on-going initiative for improved service levels.

An affirmative action plan is currently under development. Our plan will be part of the province-wide affirmative action program of the Government of Saskatchewan. It is expected the plan will receive the necessary approvals for implementation in 1984.

During the year, a rate reduction was announced and implemented, which resulted in a 5% reduction in revenue.

Competitive demand and internal rate reviews resulted in the announcement of a rate reduction averaging an estimated 15% to become effective April 1, 1984.

The corporation's commitment to respond to the information processing requirements of the provincial public sector will result in an increased demand for central mainframe processing. In order to continue as an effective supplier for these services, SaskCOMP will keep abreast of the rapid technological changes occurring in the information processing industry.

Terry Tuharsky and Susan McGillivray, Analysts, Applications Development

As new products and services become available they will be introduced to meet the needs of the corporation's customer base. In co-operation with the private sector the corporation will continue its efforts to expand the information processing industry in the province.

The results of the "informatics" study undertaken in 1983 will serve to give direction to the delivery of our services in the future. The consultants report was received in the latter part of 1983, with the recommendations currently under review.

The corporation's ability to serve the needs of its customers in the face of rapid technological and environmental changes is due in large measure to the direction and leadership of our Board of Directors and to the unstinting efforts of our skilled and talented work force. Their contributions are gratefully acknowledged.

A. L. M. Nelson,
Acting General Manager

Willis Groshong, Saskatchewan Government Systems Centre, receiving output from Regina Regional Centre.

evenue from computer processing at Saskatoon and Regina Regional Centres increased 13%.

On-line transactions at the two regional centres increased 44% over 1982, with on-line transaction volume averaging 5.3 million per month.

During the year, Applications Development provided 1,700 man-days of service in 1983 compared to 2,310 man-days in 1982.

Through our various training programs SaskCOMP provided 1,400 student days of training in 1983.

Direct Access storage capacity at the four processing centres increased 49% bringing the on-line storage capacity to 143 billion bytes on hard disk and on the Mass Storage Subsystem.

At year end the total number of magnetic tapes in the four centres was 44,000, an increase of 2% over 1982.

The total number of interactive terminals accessing SaskCOMP's 4 centres as at December 31, 1983 was approximately 1,259. This is a 29% increase over 1982.

The total number of remote job entry stations was 108 at the end of 1983. This represents a 10% increase over 1982.

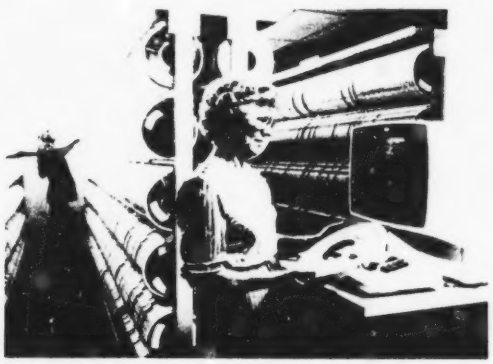
2 new printers, 1 - STC 2250 and 1 - STC 1800, were purchased for the Regina Regional Service Centre to replace 3 IBM 1403 printers.

2 6250 bpi tape drives were installed at Saskatoon Regional Centre to improve that Centre's reliability and capacity.

The 2 IBM 4300 processors located at Saskatoon Regional were recabled to provide back-up for MVS services.

To improve data access performance and reliability, Saskatoon Regional Centre established alternate paths to the Saskatoon Regional 3380 disk drives.

VTAM, EASYTRIEVE, SYDOC and EasyPROCLIB software products were installed to enhance our processing environments with improved security, communications and programmer productivity.



Louise Tuchscherer, Tape Librarian, Regina Regional Centre.

Alf Borycki, Saskatoon Operations Unit Manager, with Saskatoon Operations staff.

evenues for the year amounted to $23,077,000, an increase of $1,372,000 or 6.3% over 1982. Expenses totalled $20,581,000, up 11.2% over the corresponding figure for the previous year. Net income in 1983 amounted to $2,496,000, as compared with $3,204,000 a year earlier. While the volume of business increased over that of 1982, the growth rate in revenues declined, reflecting in part a rate decrease averaging 5% introduced early in the year. The increase in expenses is largely a reflection of higher price and wage levels experienced in 1983.

During the year, funds in the amount of $3,726,000 were generated from operations, while $884,000 and $541,000 respectively, became available from equipment leasing transactions and disposal of fixed assets. These funds were used to finance acquisition of additional assets in the amount of $1,396,000 for SaskCOMP and $366,000 for leasing to customers.

Outstanding debt was reduced by $3,224,000, and an amount of $2,390,000 was appropriated as a dividend to the Crown Investments Corporation. The level of working capital at year-end remained relatively unchanged from the previous year. During the year, working capital needs were met in part by a $1 million bank line of credit.

The year-end investment in fixed assets at cost amounted to approximately $8.1 million, as compared with some $9.3 million at the end of 1982. It should be noted, however, that a significant portion of the corporate assets are leased. At the end of 1983 leased assets valued at list price when new, amounted to $17,205,000, as compared with $16,490,000 for the previous year. Leasing, in addition to reducing the requirement for invested capital, provides a measure of protection against the cost of obsolescence in that the majority of the leases are terminable without penalty at the end of each year.

Joan Caston, Accounting Clerk, Controller's Division.

Richard Gutor, Accountant, Controller's Division.

The Saskatchewan Computer Utility Corporation (SaskCOMP) officially came into being in January 1973.

The new corporation's initial objective was to consolidate and combine computer services for provincially funded institutions such as universities, government departments and Crown Corporations. Some of the activities combined under SaskCOMP included the processing facilities of the Systems Centre Branch of the Department of Government Services, Saskatchewan Power Corporation and the Saskatoon and Regina Computer Centres of the University of Saskatchewan.

In its first half year of operation, SaskCOMP purchased new hardware to support the growing needs of its customers. In 1974, its first full year of operation, SaskCOMP made many changes and substantially expanded its services.

The discussion and adoption of a new rate structure resulted in a rate reduction on July 1, 1974. Formal training programs were established to provide technical training for the corporation's staff. This was done in order to offer a wider range of services to a growing number of customers.

Some of SaskCOMP's major new customers in 1974 were the City of Prince Albert and the Saskatchewan Government Insurance Office.

1976 was a time for SaskCOMP to clarify its purpose and objectives resulting in the formulation of a comprehensive mandate.

Saskatoon Regional Centre computer room.

Wilf Fellner, Assistant Operations Supervisor, with SaskCOMP's Uninterruptible Power Supply.

Liz Holden, Supervisor, Regina Campus Operations, with the Honeywell Sigma 9 (Sigma 9 is due to be retired in 1984).

Marilyn Drever, Manager, Corporate Information Systems

The corporation's mandate was:

1) to ensure a computer presence in Saskatchewan to stimulate economic growth by supplying computing services and providing advice on and assisting in computing to provincial enterprises.
2) to optimize service and cost of computing.
3) to rationalize and co-ordinate the development of computer facilities for government funded agencies by providing the mechanism for ensuring that the proposed developments are efficient and effective from a provincial point of view.

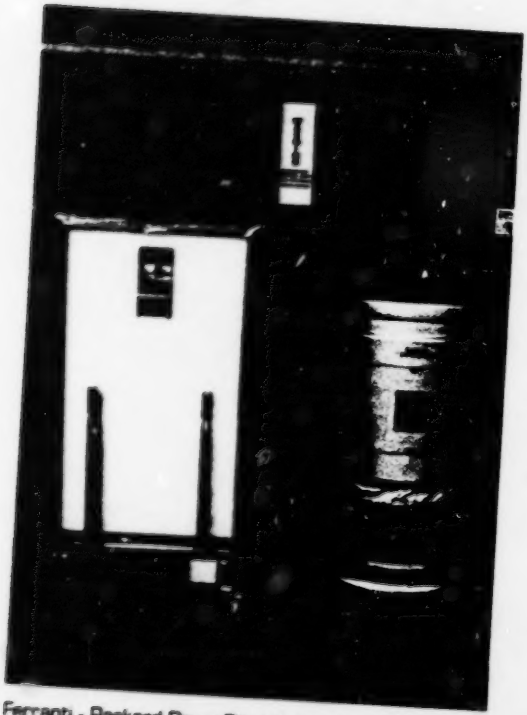
1976 was also significant for a number of other reasons. The computers at the three main centres were linked via telecommunications lines to enable SaskCOMP customers at any one centre to use the services of another.

The corporation also became more involved in the provision of systems analysis and computer programming services. The addition of these services attracted many new customers including the municipal governments of Saskatoon and North Battleford.

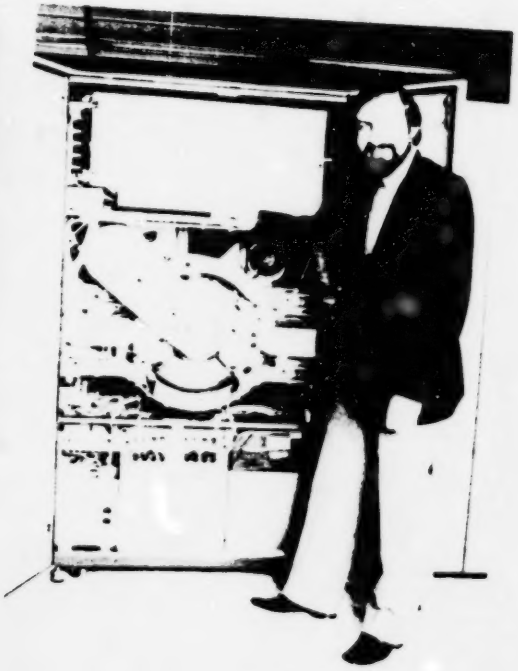
Gross revenue for 1976 increased 23% over 1975.

The following year, increased customer demand for on-line application software services led to the implementation of Information Management System-Data Communications (IMS/DC) and Customer Information Control System (CICS).

Changing customer needs necessitated the creation of a Research and Planning Division and a Small Computer Division to expand the corporation's range of services.



Ferranti - Packard Drum Drive (retired in 1982).



Ken Manz, Analyst, Facilities Planning with a 3380 Disk Drive.

The year's other major initiative was the establishment of a Professional Development Program to satisfy the increasing need for highly trained analyst staff, one of the corporation's most important resources.

By 1978, SaskCOMP had grown to become the twelfth largest service bureau in Canada.

The year's major improvements were a new rate schedule designed to give customers the option of requesting high priority and off-hour processing on an adjusted rate basis, and the purchase of new hardware.

In 1979, with the advent of the microcomputer SaskCOMP became the leader in promoting and establishing guidelines for the installation of microcomputers in Saskatchewan schools. As a result of SaskCOMP's efforts and its discussions with the Saskatchewan Department of Education and the Saskatchewan Teacher's Federation, a committee was formed to promote the effective use of microcomputers in primary and secondary schools.

1979 was also the year in which a Mass Storage Sub-System (MSS) was installed at the Regina Regional Centre. The MSS device provides economical large scale data storage at about one-half the cost per character of most types of hard disk.

The corporation's major achievement in 1980 was the implementation of a time-sharing service at the Saskatoon Regional Centre. This was accomplished by the installation of a VM/CMS service which included APL, MPSF, BASIC, FORTRAN, ADRS and SPF languages.

In 1981, the corporation established its Education Division in Saskatoon to meet the growing demand of educators for micro-

Richard Schmidt with the IBM 370/168 Processor which was retired in 1981

computer hardware and, more importantly, to provide consulting and in-service training. SaskCOMP also became a provincial distributor of educational software produced by the Minnesota Educational Computing Consortium.

The corporation also commissioned a consultant's study to measure the competitiveness of its rates relative to those of other major Canadian service bureaux. The study results, published in 1982, indicated that SaskCOMP's rates were the lowest of any service bureau tested.

Since that time successive rate reductions averaging 5% and 15% were announced for April 1, 1983 and April 1, 1984 respectively.

The corporation improved security by installing RACF for batch systems in Saskatoon and Regina and GUARDIAN for CICS production systems in Regina. Physical security was enhanced by the improvement of off-site data storage facilities.

New hardware was installed to provide improved back-up for batch and on-line systems.

In ten years of operation the corporation's revenue increased at a compound annual rate of 22%, reaching a level in excess of $20 million by the end of the decade. Cumulative net income aggregating in excess of $10 million has been made available by way of dividends to the Crown Investments Corporation.

Saskatchewan Computer Utility Corporation

Financial	1983	1982	1981*	1980	1979	1978	1977	1976	1975	1974
Revenue ($000's)	23,077	21,705	16,748	12,814	9,857	8,845	7,967	5,616	4,531	3,897
Expenses ($000's)	20,581	18,501	16,316	12,343	9,798	7,883	7,007	5,112	4,326	3,280
Net Income ($000's)	2,496	3,204	432	471	59	962	960	504	205	617
Capital: Equity ($000's)	2,780	2,674	2,804	2,804	2,804	2,804	2,780	3,835	4,755	4,755
Debt ($000's)	787	4,011	5,341	4,807	4,350	2,866	204	331	450	601
Employees										
Number of Employees	166	159	156	149	142	126	118	108	107	91
Revenue per Employee ($000's)	139	137	107	86	69	71	61	52	42	43
Facilities										
Processing Power (Millions of Instructions per Second)	25.0	25.0	16.1	12.7	7.9	5.1	5.1	3.4	3.4	3.2
Data Storage Capacity:										
- On-line (Billions of Bytes)	143	96	76	41	27	18	10	6	5	4
- Off-line (No. of Tapes in 000's)	44	43	41	36	31	26	23	20	17	14
No. of On-line Terminals (Approximate)	1,259	978	706	405	249	189	147	141	138	133
No. of Remote Job Entry Stations	108	98	94	86	67	53	42	39	19	15

* Restated.

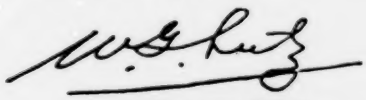
Financial Statements

For the Year Ended December 31, 1983

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Computer Utility Corporation as at December 31, 1983 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Computer Utility Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting policy as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.



W. G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
February 22, 1984.

		1982
	(Thousands of Dollars)	
Assets		
Current Assets:		
Cash and short-term investments	$ —	$ 2,213
Accounts receivable	3,749	4,237
Prepayments and supplies	158	203
	3,907	6,653
Net investment in leases receivable (Note 8)	514	1,032
Fixed assets (Note 4)	2,846	3,221
	$7,267	$10,906
Liabilities and Province's Equity		
Current Liabilities:		
Bank indebtness	$ 413	$ —
Accounts payable and accrued liabilities	397	1,013
Current portion of long-term debt	394	2,730
Short-term loan payable (Note 5)	500	—
Dividend payable	2,390	3,208
	4,094	6,951
Long-term debt (Note 6)	393	1,281
	4,487	8,232
Province of Saskatchewan's Equity		
Advances (Note 7)	2,780	2,780
Retained earnings (deficit)	—	(106)
	2,780	2,674
	$7,267	$10,906

(See accompanying notes)

		1982
	(Thousands of Dollars)	
Revenue:		
Sales of products and services	$22,202	$20,790
Other (Note 10)	875	915
	23,077	21,705
Expenses:		
Operating costs other than those listed below	10,463	10,259
Rental of Equipment	8,237	5,816
Depreciation and Amortization (Note 4)	1,586	1,707
Interest	295	719
	20,581	18,501
Net Earnings	$ 2,496	$ 3,204

(See accompanying notes)

Saskatchewan Computer Utility Corporation

		1982
	(Thousands of Dollars)	
Retained earnings, beginning of year		
As previously reported	$ 24	$ 24
Retroactive adjustment resulting from a change in accounting policy (Note 2)	(130)	(126)
Retained earnings (Deficit), as restated	(106)	(102)
Add net earnings	2,496	3,204
	2,390	3,102
Dividend - Crown Investments Corporation of Saskatchewan	(2,390)	(3,208)
Retained earnings (Deficit), end of year	$ —	$ (106)

(See accompanying notes)

		1982
	(Thousands of Dollars)	
Source of Funds:		
From Operations		
Net earnings	**$2,496**	$3,204
Depreciation and amortization	**1,586**	1,707
Gain on sale of fixed assets	**(356)**	(112)
	3,726	4,799
Collections and change in current portion of leases receivable	**884**	760
Proceeds from sale of fixed assets	**541**	892
	5,151	6,451
Application of Funds:		
Acquisition of fixed assets	**1,396**	1,771
Investments in leases receivable	**366**	1,076
Reduction of long-term debt	**888**	2,730
Dividend - Crown Investments Corporation of Saskatchewan	**2,390**	3,208
	5,040	8,785
Increase (Decrease) in working capital	**111**	(2,334)
Working capital (Deficiency), January 1	**(298)**	2,036
Working capital (Deficiency), December 31	**$ (187)**	$ (298)

(See accompanying notes)

1. Significant Accounting Policies

Depreciation of Fixed Assets

Fixed assets are depreciated without residual value as follows:

Computer Equipment — equipment and associated software costs - straight line - two to seven years.

Office Furniture and Equipment — straight line over ten years.

Leasehold Improvements — straight line over expected term of occupancy.

Leases

Leases are classified as operating or direct financing leases. For direct financing leases the Corporation, as lessor, records the proceeds of asset disposals and related net investment in leases receivable at the present value of the future minimum lease receipts. All other leases continue to be considered as operating leases and are recognized in the accounts in accordance with the terms of the lease agreements.

2. Change in Accounting Policy

In 1983, the Corporation adopted the policy of accruing for vacation credits earned during the year, but not utilized. The effect of this change, which has been applied retroactively, was to reduce 1983 net income by $5,000 and 1982 net income by $4,000. The remaining adjustment of $126,000 is applicable to years prior to January 1, 1982 and the balance of retained earnings as at that date has been adjusted accordingly.

3. Status of Corporation

The Saskatchewan Computer Utility Corporation was established in 1973 under The Saskatchewan Computer Utility Corporation Act to provide computer and data processing services to the Government of Saskatchewan and others.

The Corporation has been designated by Order-in-Council as a corporation to which the provisions of Part II of The Crown Corporations Act, 1978 apply. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

4. Fixed Assets

	Cost	Accumulated Depreciation and Amortization	Net Book Value	1982 Net Book Value
		(Thousands of Dollars)		
Computer Equipment	$5,613	$3,719	$1,894	$2,298
Office Furniture and Equipment	574	302	272	279
Leasehold Improvements	1,940	1,260	680	644
	$8,127	$5,281	$2,846	$3,221

Following the completion of the conversion of fixed asset subsidiary records to an automated system in 1983, an adjustment of $273,940 was determined to be required to appropriately reflect the net book value of fixed assets currently in service. Of this amount, $250,790 constitutes an adjustment to accumulated depreciation and is included in 1983 depreciation expense.

5. Short-Term Loan

The short-term loan is due to the Crown Investments Corporation of Saskatchewan on demand, with interest based on a prime-related floating rate.

6. Long-Term Debt

Due to the Crown Investments Corporation of Saskatchewan:

	Interest Rate Per Annum	Annual Installments		1982
	%	(Thousands of Dollars)		
5 Year Loan maturing October 1, 1983	9.43	$ —	$ —	$ 540
4 Year Loan maturing October 11, 1983	13.00	—	—	150
4 Year Loan maturing December 28, 1983	13.00	—	—	1,400
5 Year Loan maturing December 31, 1985	13.25	—	—	740
4 Year Loan maturing December 20, 1985	Prime-related floating	394	787	1,181
		$394	787	4,011
Less Installments and repayments due in the next year			(394)	(2,730)
Long-term debt			$393	$1,281

7. Advances

These advances are non-interest bearing and are repayable to the Crown Investments Corporation of Saskatchewan at its discretion.

8. Leases

For direct financing leases recorded in the accounts, the net investment in leases receivable is computed as follows:

		1982
	(Thousands of Dollars)	
Future minimum lease payments receivable:		
1983	$ —	$ 813
1984	833	692
1985	399	342
1986	158	165
1987	10	28
Total future minimum lease payments receivable	1,400	2,040
Less unearned finance income	190	401
Present value of future minimum lease payments receivable	1,210	1,639
Less amount due in the next year, included in accounts receivable	696	607
Net investment in leases receivable	$514	$1,032

9. Commitments

At December 31, 1983 the corporation had the following commitments:

(a) Leased Premises

The Corporation is committed to the following future minimum lease payments for office and operating premises:

1984	$ 795,765
1985	795,765
1986	516,195
1987	423,006
1988	191,535
	$2,722,266

(b) Leased Equipment

The Corporation has entered into operating lease agreements for computer and communications equipment with provision for annual payments as follows:

1984	$ 3,538,492
1985	3,450,966
1986	3,162,746
1987	3,075,864
1988	2,573,388
	$15,801,456

10. Other Revenue

Other revenue includes earned finance income related to the Corporation's investment in leases receivable of $231,127 (1982 - $243,728) and investment income of $185,140 (1982 - $365,561).

11. Remuneration of Directors and Senior Officers

During 1983, the Corporation's five directors (1982 - five) received remuneration of $1,350 (1982 - $1,500). The five senior officers (1982 - five) received, in aggregate, $313,136 (1982 - $277,541) in salaries for 1983.

12. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

POOR

QUALITY

ORIGINAL